

Outflows slow in Q1 but markets drive AUM lower

14th July 2022

AUM fell £3.17bn or 14% over Q1 of FY23, from £22.12bn on 31 Mar 22 to £18.95bn on 30 Jun 22. This fall was actually a little less than we had expected, given the very sharp falls in equity markets over the quarter: the MSCI ACWI fell 15.5%, and the Dow Jones Global Technology Index fell 23.4% (technology strategies made up 42% of Polar's AUM on 31 Mar 22).

The fall in AUM split as follows: -£2.39bn from market movements and investment performance (10.8% of opening AUM); -£0.46bn from fund closures (Phaeacian mutual funds and related segregated mandates); and -£0.32bn from net outflows (with outflows slowing from -£0.42bn in Q422).

While overall net flows were negative, Polar reported **continued demand and inflows** into its *Sustainable Emerging Market Stars*, *Global Insurance*, *Healthcare Blue Chip*, *Global Absolute Return* and *Smart Energy Funds* with combined net inflows of £275m across these funds.

Outflows from Polar's technology funds slowed from £630m in Q422 to £380m. We would highlight this slowdown in outflows as a significant development, as in previous quarters investors were aggressively withdrawing funds in parallel with the large declines in technology stock values.

Forecasts unchanged, but chances of exceeding forecasts increases

When Polar released its FY22 results on 27 June 22, it reported that AUM on 31 May stood at £19.9bn. June saw further sharp equity market falls (MSCI ACWI fell 8.4%), but Polar's AUM fell only 4.8% in June (to £18.95bn). We had already factored in these June market falls in our previous forecasts (made on 27 June), hence Polar's Q1-23 AUM has in fact closed slightly ahead of our forecast.

However, being so early in the financial year, we have left our full year FY23 forecasts unchanged, which we believe is a conservative stance as we do now see a higher probability that our forecasts may be exceeded (because of the slightly stronger than expected June AUM performance). We will re-visit these when Polar releases its Q2 AUM update in October.

Therefore, our fundamental valuation remains 800p per share

We also highlight Polar's large valuation discount compared to peers (PER of 9.0 compared to a peer group median of 13.0 (see page 2)). In addition, following the recent share price fall, Polar's **dividend yield has risen to 10.1%**.

Key Financials						
Year-end 31 Mar	FY19A	FY20A	FY21A	FY 22A	FY 23E	FY24E
AUM, £bn	13.8	12.2	20.9	22.1	19.0	20.9
Rev, £m	177.5	151.7	201.5	224.1	176.5	185.7
Management fees, £m	126.2	130.8	157.3	210.0	171.7	176.9
Performance fees, £m	51.7	22.3	43.6	14.1	4.7	8.8
PBT, £m	64.1	50.9	75.9	62.1	51.1	53.0
Core op profit*, £m	42.2	41.6	51.5	69.4	50.1	50.3
Performance fee profit	24.0	8.8	19.5	4.1	2.0	3.8
EPS basic, p	57.8	43.5	67.2	50.8	42.3	40.1
EPS adjusted diluted, p	51.5	40.7	62.3	56.0	40.8	38.7
PER	7.9	10.5	6.8	9.0	10.8	11.4
Div, p	33.0	33.0	40.0	46.0	46.0	46.0
Yield	7.2%	7.2%	8.8%	10.1%	10.1%	10.1%
Net assets, £m	109.7	116.1	151.4	156.2	164.6	170.2
Net cash, £m	111.7	107.8	136.7	121.1	119.2	128.4

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: **457p**
 * excluding performance fees and performance-related costs, before tax
 ** Seed inv, securities, fund units held against deferred remuneration, other fin assets & liabilities

Company Data

EPIC	POLR
Price (last close)	457p
52 weeks Hi/Lo	920p/448p
Market cap	£461m
ED Fair Value/share	800p
Net assets	£156m
Avg. daily volume	188k

Share Price, p



Source: ADVFN

Description

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- Global Technology
- Global Healthcare
- Global Insurance
- UK Value
- North America
- Global Convertible
- Emerging Markets & Asia.
- Sustainable Equity

AUM 30 Jun 2022: £19.0bn

Next Event: Q2 AUM update, 13 Oct

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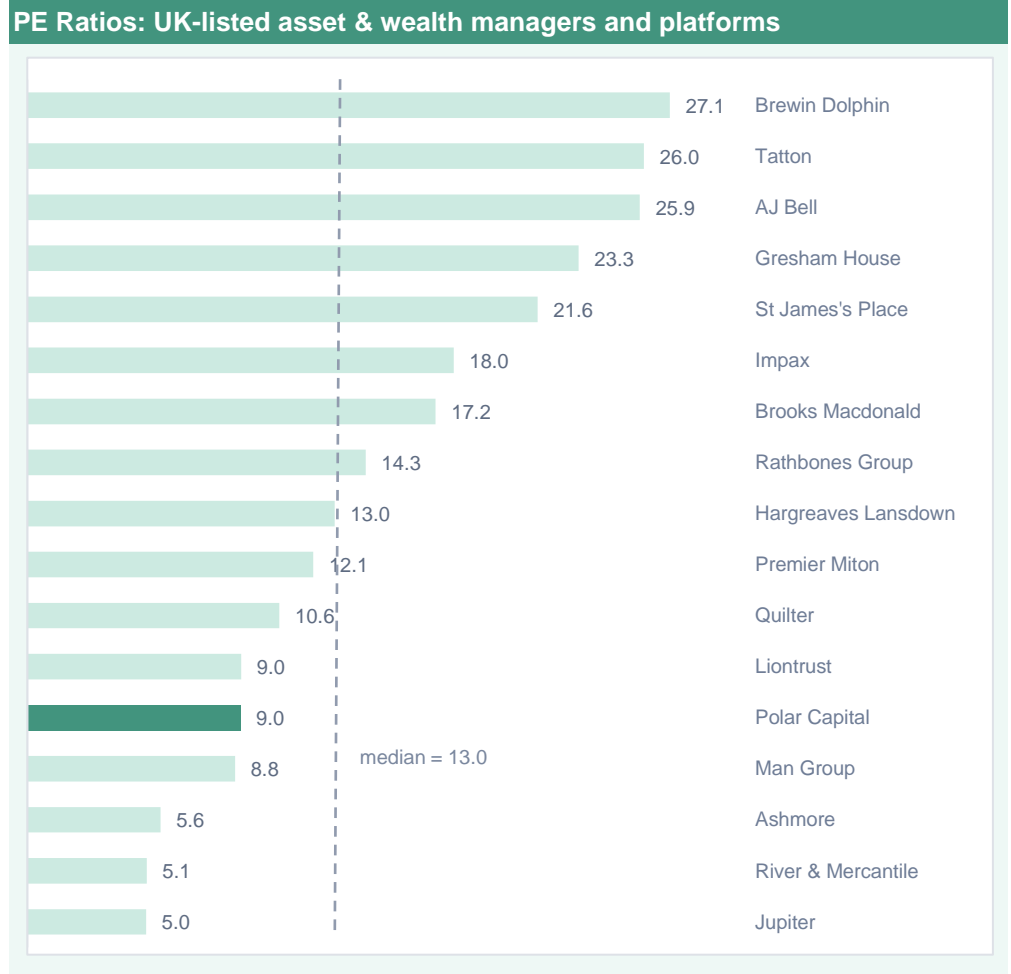
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Source: ADVFN, as of 13 July 2022



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